

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (9/9)
BUTTER: Grade AA closed at \$1.6950. The weekly average for Grade AA is \$1.6900 (-.0150).

CHEESE: Barrels closed at \$1.4900 and blocks at \$1.5300. The weekly average for barrels is \$1.4900 (+.0060) and blocks, \$1.5081 (+.0221).

BUTTER: During recent cash trading sessions, the butter price has declined to the lowest level since mid August. Although the cash price dipped to \$1.6850 at mid week, many producers and handlers still do not foresee a significant variance from the \$1.70 level for the near future. Some contacts are surprised to see some weakness as the fall demand season approaches. The most significant factor to current markets is the disruption caused by the hurricane. Retail and food service orders have completely ceased in the immediate storm affected areas and buyers state that it will be quite some time before these markets reestablish themselves. Elsewhere in the country, butter sales are seasonally fair. Retail sales, though steady, are expected to improve as shopping habits settle back into typical "school-year" patterns. Food service orders are lighter this week as many buyers assess post holiday inventories. Churning activity over the past holiday weekend was mixed, depending on cream availability. Some butter producers stated that additional cream volumes were available to them, while others stated that offerings were lighter than anticipated. Demand for butter continues to outpace current production, thus inventoried stocks continue to supplement fresh supplies. The CME weekly butter inventory declined 6.0 million pounds last week to stand at 72.2 million pounds. This is the largest weekly decline noted this year. Stocks trail last year by 12.8 million pounds.

CHEESE: The cheese market is steady though a firmer undertone is developing. CCC has purchased additional cheese to help feed Katrina displaced people and/or replace product lost in the storm. Process movement has yet to slow seasonally. Demand for Cheddar and other American varieties is improving. Mozzarella sales are good. Some improvement is noted in aged cheddar. Bottlers are pulling larger milk volumes from manufacturing, reducing current cheese production. Cumulative estimated January - July 2005 cheddar production totals 1.807 billion pounds, up 21.7 million pounds (1.2%) from the unadjusted same period in 2004. Cumulative total cheese output in 2005 is 5.304 billion pounds, up 137.4 million pounds (2.7%) from the same period in 2004.

FLUID MILK: The problems caused by Hurricane Katrina continue to dominate the news. Contacts report that milk producers in the affected area have been contacted, but they still cannot reach some farmers to pick up milk. In the storm's path, all but one plant has returned to operation. Those that are operating are limited by the availability of sufficient power/electricity, water, other fuel, manpower, and the ability to get the finished products out to the consumers. Milk, at plants and farms, has been dumped, but it may be months before actual volumes are known. Elsewhere, the milk flow is about steady and surplus milk supplies are lighter. Hot weather in the Southwest is negatively impacting milk output. Schools in all states are back in session, which is pulling milk into Class I channels to fill the school lunch pipelines. In those states where schools reopened this week, bottlers have been pulling quite a bit of extra milk; a typical pattern for the first week of school. Conversely, schools and colleges in and around New Orleans and other LA,

MS, and AL communities are still shut down. Along with little or no retail store access in these areas, bottled milk sales are lagging. The fluid cream market is a little weaker. Ice cream and soft serve mix production is slower, a typical pattern after Labor Day. Churning activity is light to moderate.

DRY PRODUCTS: The NDM market is a little unsettled. Production levels range from steady to lighter and stocks are reported as heavy at some plants. Demand is not as aggressive as hoped as users may have purchased earlier in the year when predictions indicated tight supplies during the last quarter/third of the year. These customers are apparently not in the market and there is growing resistance to higher prices. The KCCO announced the sale of nearly 7 million pounds of old NDM for unrestricted use, which add to the supply. Export interest remains, but often at a slower pace. The dry whey market is mostly steady. Contacts report relatively little spot market activity this week. Production levels are mostly steady and producer stocks range from adequate to light to sold-out for the rest of the year. Demand is relatively unaggressive from domestic buyers; still quite active for export. The WPC market is showing a little more weakness. The above mentioned sale of CCC-owned NDM may provide some direct competition for WPC, particularly in feed applications. For all dry dairy product markets, transportation costs are becoming a much bigger factor in the market.

CCC: During the week of September 5 - 9, there were no price support purchases. The Kansas City Commodity Office announced the sale of 6,892,411 pounds of NDM (varying in age, heat treatment, and location) for unrestricted use under Invitation 022 to Announcement DSC1 at prices ranging from \$.7060 -.9250 per pound.

JULY DAIRY PRODUCTS HIGHLIGHTS (NASS): Butter production was 94.7 million pounds in July, 2.3% above July 2004 but 10.9% below June 2005. American type cheese production totaled 315.5 million pounds, 4.2% above July 2004 but 1.9% below June 2005. Total cheese output (excluding cottage cheese) was 737.3 million pounds, 4.0% above July 2004 but 3.3% below June 2005. Production of human food, NDM totaled 119.6 million pounds, 11.1% below July 2004 and 4.0% below June 2005. Dry whey production, for human food, was 80.7 million pounds, 4.7% above July 2004 but 1.1% below June 2005.

JUNE MAILBOX MILK PRICES (AMS, CDFA): In June 2005, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.13 per cwt., \$.35 less than the figure for the previous month. The component tests of producer milk in June 2005 were: butterfat, 3.54%; protein, 2.93%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas except one, and ranged from \$16.40 in Florida to \$12.55 in New Mexico. In June 2004, the Federal milk order all-area average mailbox price was \$18.26, \$4.13 higher.

JULY FLUID MILK SALES (AMS, CDFA): During July, about 4.3 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 2.5% lower than July 2004. After adjusting for calendar composition, sales in July 2005 were unchanged from July 2004. On an individual product basis, after adjusting for calendar composition, sales of reduced fat (2%) milk, low fat (1%) milk, and fat-free (skim) milk increased from July 2004, while sales of whole milk, flavored whole milk, flavored fat-reduced milk, and buttermilk decreased from a year earlier.

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY SEPTEMBER 5	TUESDAY SEPTEMBER 6	WEDNESDAY SEPTEMBER 7	THURSDAY SEPTEMBER 8	FRIDAY SEPTEMBER 9	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	NO	\$1.4900 (N.C.)	\$1.4900 (N.C.)	\$1.4900 (N.C.)	\$1.4900 (N.C.)	(N.C.)	\$1.4900 (+.0060)
40# BLOCKS	TRADING	\$1.5000 (N.C.)	\$1.5000 (N.C.)	\$1.5025 (+.0025)	\$1.5300 (+.0275)	(+.0300)	\$1.5081 (+.0221)
BUTTER GRADE AA	HOLIDAY	----	\$1.6850 (-.0100)	----	\$1.6950 (+.0100)	(N.C.)	\$1.6900 (-.0150)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM NOTE: CME NDM on Page 2.

CHICAGO MERCANTILE EXCHANGE

MONDAY, SEPTEMBER 5, 2005 HOLIDAY, NO TRADING

TUESDAY, SEPTEMBER 6, 2005

CHEESE — SALES: 1 CAR BARRELS @ \$1.4875; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4900; 2 CARS 40# BLOCKS @ \$1.5000; OFFERS UNCOVERED: NONE

WEDNESDAY, SEPTEMBER 7, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS 40# BLOCKS @ \$1.5000; OFFERS UNCOVERED: NONE

BUTTER — SALES: 13 CARS GRADE AA: 1 @ \$1.6900, 1 @ \$1.6875, 3 @ \$1.6700, 1 @ \$1.6725, 1 @ \$1.6750, 1 @ \$1.6800, 4 @ \$1.6825, 1 @ \$1.6850; BIDS UNFILLED: 4 CARS GRADE AA: 2 @ \$1.6700, 2 @ \$1.6500; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.6950

THURSDAY, SEPTEMBER 8, 2005

CHEESE — SALES: 8 CARS 40# BLOCKS: 4 @ \$1.5000, 4 @ \$1.5025; BIDS UNFILLED: 2 CARS BARRELS @ \$1.4900; 5 CARS 40# BLOCKS: 2 @ \$1.5025, 3 @ \$1.5000; OFFERS UNCOVERED: NONE

FRIDAY, SEPTEMBER 9, 2005

CHEESE — SALES: 1 CAR BARRELS @ \$1.4900; 2 CARS 40# BLOCKS: 1 @ \$1.5050, 1 @ \$1.5075; BIDS UNFILLED: 4 CARS 40# BLOCKS: 3 @ \$1.5300, 1 @ \$1.5100; OFFERS UNCOVERED: NONE

BUTTER — SALES: 11 CARS GRADE AA: 1 @ \$1.6800, 2 @ \$1.6700, 2 @ \$1.6600, 2 @ \$1.6800, 2 @ \$1.6850, 1 @ \$1.6900, 1 @ \$1.6950; BIDS UNFILLED: 8 CARS GRADE AA: 1 @ \$1.6750, 5 @ \$1.6700, 1 @ \$1.6625, 1 @ \$1.6500; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.7000

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.9625 and Grade A at \$0.9825. (The last price change occurred March 30.) The weekly average for Extra Grade is \$0.9625 (N.C.) and Grade A is \$0.9825 (N.C.).

BUTTER MARKETS**JULY BUTTER PRODUCTION**

During July 2005, butter production in the United States totaled 94.7 million pounds, 2.3% more than July 2004 but 10.9% less than June 2005. The following are July to July changes for various states: CA +3.6%, NY +15.2%, PA +18.5% and WI +10.6%.

NORTHEAST

The butter market is unsettled and the cash price at the CME still seems to be reluctant to stay above \$1.70. Demand for butter is mixed. The devastation caused by Katrina has hurt sales in the affected areas. As one market analyst pointed out, New Orleans was the number one per capita butter consuming city in the country. This market loss will have an impact on demand/consumption in the coming months. Churning activity in the East is steady to heavier during the holiday weekend when Class II buyers took an extra day off. Retail sales, though steady, are expected to improve as shopping habits settle back into typical "school-year" patterns. Food service orders are lighter now that Labor Day is past and resort/vacation area restaurants see less business. Also, with gas prices so high, it is expected that dining out at family restaurants will be among the first "luxuries" to feel the gas-price pinch. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

The CME cash butter price has declined 3 1/2 cents during the past two trading sessions to settle at \$1.6850 at midweek. Although this is the lowest cash price since August 17, many producers and handlers still do not foresee a significant variance from around this level for the near future. Churning activity continues to fluctuate higher and lower, depending on cream availability. The past holiday

weekend did not generate a significant volume of additional cream. At this point, most schools are now back in session for the year, thus standardized cream should become available as school bottling schedules increase. The most significant factor in Central butter markets is the disruption to the market caused by the hurricane of last week. Retail and food service orders have completely ceased in the immediate storm affected areas and buyers state that it will be quite some time before these markets reestablish themselves. Elsewhere in the Central part of the country, orders are seasonally fair. Retail sales are stimulated by occasional feature activity. Food service orders are lighter this week as many buyers assess the post holiday inventories and settle into early fall buying patterns. Bulk butter for spot sale is being reported in the flat – 2 cents per pound over various pricing basis.

WEST

The cash CME butter price has lost 3 1/2 cents in the last two trading sessions. Prices are the lowest they have been in three weeks. Some contacts are surprised to see some weakness as the fall demand season approaches. More cream was certainly available over the holiday weekend and into this week. Some sellers have to go longer distances to find a willing buyer. Multiples seem to be weaker. Scattered reports of improving interest in print butter are noted. July butter production for the U.S. totals 94.7 million pounds, up 2.3% from last year. Cumulative output for the first seven months of the year is 800.5 million pounds, up 8.1% (60.0 million pounds) from 2004. Output in the Western region in July totals 46.9 million pounds, up 7.9% from a year (3.5 million pounds) earlier. The West produced almost 50% of U.S. butter in July. The CME weekly butter inventory declined by 6.0 million pounds last week to stand at 72.2 million pounds. This is the largest weekly decline noted this year. Stocks trail last year by 12.8 million pounds. Bulk butter prices range from 2 cents under to 4 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
SEPTEMBER 3	1.4168	1.4605	0.9720	1.6749	0.2924
	8,038,691	10,334,215	12,594,415	2,067,253	9,894,596

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are higher on process and natural items as the cash price for cheddar at the CME has increased steadily over the past two weeks. Also, after ten days of the barrel/block price inversion, blocks moved a penny higher than barrels on Wednesday, August 31. Contacts feel that cheese price will increase during coming weeks as demand improves seasonally. However, the devastation that Katrina caused will have an impact on retail and food service sales for quite some time to come. In the Northeast, cheese output is mixed. Some plants are increasing output while others are getting less milk due to increased Class I demand. Retail sales are about steady. Food service orders are expected to slow now that Labor Day is past.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.5675-2.0875
Cheddar Single Daisies	:	1.5250-2.0000
Cheddar 40# Block	:	1.6250-1.8975
Process 5# Loaf	:	1.6950-1.9025
Process 5# Sliced	:	1.7150-1.9400
Muenster	:	1.6400-1.8400
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is steady though uneven. The government is acquiring extra cheese volumes quickly to help feed Katrina displaced people. Current commercial interest is steady to occasionally improved. Most processors and packagers are scheduled to operate just 4 days this holiday abbreviated week though some may need to add a line run or two on Saturday. Rapidly escalating fuel prices/surcharges, both within the plant and for trucking, are causing increased financial stress on plant operators and for buyers. Seasonal order improvement is noted for pepper jack and Colby/jack mixtures though others are seeing steady orders. Lead times on most natural bulk cheese orders are about normal. Mozzarella and provolone interest remains good seasonally. Interest continues to improve for aged cheddar though buyers try to avoid the product put away during the "higher priced months". Process movement has not really slowed very much from summer levels. Overall offerings are in fairly good balance on most varieties. The regional demand for milk from bottlers has increased with the reopening of remaining schools. Plants that lost milk to bottlers where schools started sooner often have lower cheese inventories. Cheese yields are improving but remain at low summer levels.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.6850-1.9700
Brick And/Or Muenster 5#	:	1.9200-2.0350
Cheddar 40# Block	:	1.7600-2.2650
Monterey Jack 10#	:	1.9500-2.2650
Blue 5#	:	2.3300-2.6400
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6625-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4300-2.9300

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
09/05/05	42,133	:	143,794
09/01/05	43,195	:	144,100
CHANGE	-1,062	:	-306
% CHANGE	-2	:	N.C.

WEST

Cash cheese prices at the CME have held steady since September 1. The *Dairy Products* report from last week seems to have been taken as neutral to the market. The barrel market in the West remains tight with offerings short of full trade needs. Under grade cheese is moving well to processors with prices noted on a weekly basis above the current CME price. Current blocks are moving very well with buyers trying to position some additional cheese for fall needs. Aged cheese remains in short supply, especially for some ages. There are many holes in most aging programs this year. Mozzarella is in close balance at the start of the fall school term. Swiss cheese is moving well for this early in the fall demand season. Total cheese production for July for the U.S. reached 737.3 million pounds, up 4.0% (28.5 million pounds) from 2004. The West produced 313.7 million pounds in July, up 8.3% (23.9 million pounds) from 2004. The West produced about 43% of total U.S. output in July. Cumulative output for the first seven months of the year totals 5.30 billion pounds, up 2.7% from 2004. This increase amounts to 137 million pounds of more cheese or about 4.6 million additional pounds of production each week in 2005 compared to 2004. U.S. Swiss production in July totals 24.7 million pounds up 7.9% from July of last year.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.6375-1.8950
Cheddar 40# Block	:	1.6050-1.9575
Cheddar 10# Cuts	:	1.7850-2.0050
Monterey Jack 10#	:	1.7950-1.9550
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Prices are unchanged to higher. The market tone is generally steady. Demand for foreign-type cheese is expected to follow typical post-Labor Day patterns and start to improve now that shopping habits get back into "school-year" patterns. Stocks are about adequate to cover current needs.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	TFEWR	-0-
Blue	2.6400-4.6300	1.8800-3.3700*
Gorgonzola	3.6900-6.0900	2.3925-2.4900*
Parmesan (Italy)	TFEWR	3.2950-3.4025*
Romano (Italy)	2.1000-3.1900	-0-
Provolone (Italy)	3.4400-6.0900	1.8825-2.1175*
Romano (Cows Milk)	-0-	3.0775-5.2225*
Sardo Romano (Argentina)	2.8500-3.2900	-0-
Reggianito (Argentina)	2.6900-3.2900	-0-
Jarlsberg-(Brand)	3.1200-4.1500	-0-
Swiss Cuts Switzerland	-0-	2.4500-2.6500
Swiss Cuts Finnish	2.5900-2.8500	-0-
Swiss Cuts Austrian	TFEWR	-0-
Edam	:	:
2 Pound	TFEWR	-0-
4 Pound	2.1900-3.5600	-0-
Gouda, Large	TFEWR	-0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	27.8000-31.7000	-0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	253	0	255	0	131	0
SOUTHEAST STATES	91	0	91	0	40	0

The following are the August 2005 Class and component prices under the Federal Milk Order pricing system: Class II \$13.95 (up \$.16 from July), Class III \$13.60 (down \$.75), and Class IV \$13.44 (up \$0.27). The following are the product price averages used in computing Class prices: butter \$1.6355, NDM \$0.9601, cheese \$1.4322 and dry whey \$0.2869. The Class II butterfat price is \$1.8316 and the Class III/IV butterfat price is \$1.8246. Hurricane Katrina's devastation continues to be felt and will likely be felt for several months. Contacts report that milk producers in the affected area have been contacted, but they still cannot reach all their farmers to pick up milk. In the storm's path, all but one plant has returned to operation. Those that are operating are limited by the availability of sufficient power/electricity, water, other fuel, manpower, and the ability to get the finished products out to the consumers. Milk at both the plant and farm levels has been dumped, but it may be months before actual volumes are known. Also, the Market Administrator for Federal Orders #7 has temporarily suspended rules for Hurricane related losses that allows milk lost on the farms to be eligible to participate in the marketwide pool. (See page 8 of this report.) The myriad of issues stemming from Katrina spans all levels and aspects of the food chain. Not only are transportation problems exacerbated by the increasing fuel availability and costs, but there are reports that FEMA commandeered trucks/tankers and drivers for emergency needs. Everyone is cooperating as best they can, but keeping track of trucks, haulers and milk pick ups are big logistic problems for "traffic" people. Milk production in the Northeast is mostly steady and milk volumes are tighter. Class I demand is improving as all states have schools back in session. However, it may be some time before schools and colleges in LA, MS, and AL get back in session. It was noted that UHT milk production is increasing to meet a growing demand in and around New Orleans. Much of this type of product is reportedly furnished by USDA/FEMA. In the Northeast, contacts report a very easy Labor Day weekend and an equipment problem at one plant barely disrupted milk clearances. The condensed skim market is unchanged. Most sales are still contractual to Class II users. Some improved interest from Class III users was noted, but contacts feel that Class III users are still using NDM as a lower cost alternative. The fluid cream market is a little weaker. Demand has slowed, which is a typical post-Labor Day pattern. Ice cream producers are getting back on line after the long, holiday weekend. However, one ice cream operation will be shutting down this Friday and its output consolidated at other facilities. Also, cream cheese makers are stepping up output for anticipated holiday needs. Spot prices are mixed as the higher CME butter average was often off set by this week's lower multiples. Churning activity is steady.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.2847-2.4552
DELIVERED EQUIVALENT ATLANTA	-	2.2677-2.4552 M 2.2847-2.3700
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.0290-2.3870

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:

NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.0000-1.0700
NORTHEAST- CLASS III - SPOT PRICES	-	1.0800-1.1400

M I D W E S T

Class I demand was steady to generally improved in areas where the last remaining schools are back in session. Retail promotions either underway or planned are also causing bottlers to need extra milk volumes. Bottlers were having to do some occasional "arm twisting" to get a few extra loads from manufacturing plants though the short lead time is usually the main issue. Milk handlers are also providing producers with extra help with items such as fuel and water in Katrina affected areas where trucks can reach them. Large increases in fuel prices and/or surcharges for both in plant and truck use are raising some eyebrows. Milk shipments to other areas of the country to supplement local offerings are about steady with extra loads from Michigan, Wisconsin, and Iowa, often part of the "stair step" approach. Manufacturing milk demand is steady to generally improved as cheese orders are clearing better. Milk supplies are tighter though

not enough to really increase prices either to bottlers or to manufacturers. Reported spot manufacturing milk prices range from around \$1.25 - 1.90 over class, fob. Cream demand and prices were uneven depending on whether it was over the holiday weekend when more users were closed or after when prices rebounded. Bottlers are generating more cream from standardization so some may not need to purchase quite as much supplemental volumes. Milk fat and protein levels have rebounded as temperatures have moderated in many areas. Milk intakes are unevenly higher and lower. While the prolonged June/July heat didn't affect milk production as much as normally expected, some producers have found conception rates were reduced. Further south in the region, the devastation caused by Katrina is affecting shipments and farm milk pickups though reports indicate most milk is again being picked up. The corn harvest is well underway in Missouri and Illinois with concern with high aflatoxin levels especially in the drought areas.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	SEPT. 1 - 7	PREVIOUS YEAR
SLAUGHTER COWS	\$ 47.00- 53.00	\$ 53.00- 57.50
REPLACEMENT HEIFER CALVES	\$300.00-700.00	\$400.00-660.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	SEPT. 1 - 7	PREVIOUS YEAR
SLAUGHTER COWS	\$ 45.00- 55.00	\$ 53.00- 58.00

W E S T

The August 4a price (butter/powder) in CALIFORNIA is \$13.06, \$1.02 higher than July and \$0.31 more than last year. This compares to the Federal Order Class IV price for August at \$13.44. The August 4b price (cheese) is \$12.99, down 63 cents from July but \$0.23 higher than last year. This compares to the Federal Order Class III price for August at \$13.60. Milk production is holding mostly steady across most of CALIFORNIA. Intakes are basically unchanged as reported by processors from the north to the south. Weather conditions have moderated with lower daytime highs and cooler nights. Processors in the state had few problems handling any surplus milk over the holiday weekend. Plants that were down a day or more over the weekend returned to schedule early in the week. Fluid milk plants and cheese producers were placing active orders. School lunch programs have been filled for most accounts and bottlers expect adjustments as orders are fine tuned. Retail orders are slightly higher and thought to reflect better home buying patterns related to school restarting. Hot weather conditions have tempered milk output in ARIZONA over the last week. Temperatures have been over 100 degrees for daytime highs and only cooling into the 80's. Conditions are predicted to move 5 - 10 degrees cooler starting this weekend and into next week. Fluid milk orders are fair to good and resuming to school programs. Retail orders are mixed. NEW MEXICO continues to be impacted by recent hot, humid and rainy conditions. The milk producing areas have been impacted and are slow to move off this cycle. Milk was placed as expected over the holiday weekend. Orders from other regions have resumed at expected levels. Shipments are moving to the Southeast to fill in local needs. Plants in the state are taking normal volumes of milk and some would like additional supplies. Western CREAM markets were slightly weaker over the holiday weekend. Additional loads were available from a variety of sources with volumes moving towards butter churns. CME butter prices declined 3.5 cents from last week and closed at \$1.6850 on Wednesday, September 7. Cream prices were variable over the extended holiday weekend. Multiples are mostly steady in the 122 to 135 range and vary depending on class usage and basing point. Finding available tankers and paying higher fuel surcharges are additional challenges in placing cream. Demand for fluid milk going into the school systems seems to have stabilized now in the PACIFIC NORTHWEST and manufacturing schedules are at anticipated levels. Milk supplies are varying both higher and lower in a narrow range. Some manufacturers are going to outside sources to find additional milk supplies. Tests on milk receipts are improving. Some corn silage is being cut and more growers will start in the next two weeks. Dairy grade hay offerings are available, but the quality is below expectations and prices are firm. The monthly heifer auction indicated that demand remains firm and supplies are light. Supreme heifers are \$2200-2300. Weather conditions are variable in IDAHO and UTAH. Some days have been quite warm, but most nights have cooled off nicely. A cold front with shower activity is expected this weekend. Milk supplies are beginning to rebound from the stressed summer levels. Fat and protein tests are also improving. Some plants are continuing to go to outside sources to find additional milk. Average prices for heifers at two sales in the region varied between \$1940-2090. Demand for heifers remains strong. The latest cuttings of hay seem to be somewhat better quality. Corn silage harvest is just beginning.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are adjusted to reflect higher surcharges and some reduced prices. The market is mostly steady. Production is slightly higher at some locations as excess milk diverted from Class II plants was processed in Class IV facilities. Most movement is occurring on a contractual basis. Some plants, custom dryers and resellers that have spot loads to offer are finding price resistance at the current market. Traders state that some end-users are well stocked on NDM supplies making trade of NDM more difficult domestically. In addition, offerings near the low end of the range are apparently being undercut by an unknown source. The undertone for the fourth quarter is mixed, highly dependent on export demand and whether buyers perceive whey protein concentrates as suitable substitutes to NDM.

EAST: Prices are steady to fractionally higher as increasing fuel/energy surcharges are applied. The market tone seems to have weakened slightly. Reports from other parts of the country indicate that NDM supplies are building to heavier than desired levels. In the East, drying schedules have been disrupted by Katrina and the improved Class I demand due to schools being back in session. In the more northern areas, the Labor Day weekend presented few problems for butter/powder plants. One plant did have a problem, but the milk volumes were so light, they were able to make repairs and get back on line with little disruption to their milk flow/disposition. Eastern producer inventories are mixed. Some plants have ample stocks, while most others have little or no NDM on hand and are producing to catch up with orders. Demand is just fair as some price resistance is reported. Hurricane Katrina's swath of destruction damaged several plants and warehouses where NDM was/is being stored. It is not known what volumes of powder incurred storm-damage, but warehouse owners and the NDM owners are trying to get accurate assessments of the product's condition. Trucking and fuel costs are becoming more of an issue in this and other industries. The Kansas City Commodity Office (KCCO) announced the sale of 6,892,411 pounds of nonfat dry milk in 25 Kg bags for unrestricted use. The contracts were awarded under Invitation 022 to announcement DSC1. Prices ranged from \$.7060 - .9250, depending on the age, heat treatment, and location of the powder.

DAIRY PRODUCTS: Production of human food, nonfat dry milk during July 2005 totaled 119.6 million pounds, down 11.1% from July 2004 and 0.4% below June 2005. Month ending stocks, at 118.2 million pounds, are 26.9% below a year ago but 1.7% above last month. [Note: NASS NDM totals do not account for SMP production and stocks]

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .9775 - 1.0450 MOSTLY: .9900 - 1.0150

HIGHHEAT: 1.0200 - 1.1000

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices are lower on the top end of the range that included government competitive bid sales last week. The mostly range is slightly higher. The market tone is steady. Buying interest is fully centered on contracted loads and spot sales are light. Spot offerings could get tighter as producers change product mixes away from NDM towards SMP, MCP, and blends to fill domestic and export commitments. Spot prices are holding mostly steady, while basing points and charges have increased for several producers. The KCCO announced on September 6th, contracts were awarded for the sale of 6,892,411 pounds of NDM in 25 KG bags for unrestricted use. Prices ranged from \$.7060 - \$.9250 per pound. The NDM age varied from one to six years old, varied in heat treatments, and was located at numerous storage facilities around the U.S. The contracts were awarded under Invitation 022 to Announcement DSC1. The impact of this powder is not expected to be seen on the current market prices nor expected to affect current demand for fresh powder. Indications are that much of the powder will be blended and exported. High heat prices are slightly higher. The market tone is steady to firm with producer offerings lighter than projections. Several producers are making less high heat than needed and are slow or not willing to make additional, despite there being time and capacity. U.S. NDM production in July totaled 119.6 million pounds, 11.1% lower than last year and 4.0 less than last month. Cumulative production for 2005 is 776.7 million pounds, 16.2% (150.3 million pounds) less than 2004. July production in the Western region totaled 70.5 million pounds, down 28.5% from last year. California produced 41.4 million pounds, down 37.2% from July 2004. U.S. manufacturers' stocks at the end of July were reported at 118.2 million pounds, 26.9% less than last year but 1.7% higher than last month. [Note: NDM statistics may not include skim milk powder (SMP).]

DRY BUTTERMILK - CENTRAL

Prices continue unchanged and nominal on a steady market. As some Class II facilities closed for the holiday, increased intakes of cream were noted at some churns. Offerings of condensed buttermilk are noted in the trade. As a result, increased production of dry buttermilk is noted at some locations. Most producers of dry buttermilk are holding supplies with confidence as prices are not expected to falter. Production of dry buttermilk during July 2005 totaled 4.1 million pounds, 7.1% more than July 2004 but 6.4% below June 2005. Month ending stocks, at 9.3 million pounds, are 60.1% above a year ago but 2.8% lower than June 2005.

F.O.B. CENTRAL: .9500 - 1.0450

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady and the market tone is unchanged. Northeastern prices remain nominal. Butter production in the Northeast is slightly heavier this week as excess cream volumes increased late last week. Contacts report that there is not a lot of additional churning, but most producers did have more cream over the long, holiday weekend. Demand for dry buttermilk is mostly steady. Producer stocks remain light for the fair, steady demand. Continued reports indicate that some makers have heavier than desired volumes of off-grade powder available. Demand for liquid buttermilk is slowing. Dry buttermilk production during July 2005 totaled 4.1 million pounds, up 7.1% from last July but 6.4% less than June 2005. Month ending stocks, at 9.3 million pounds, are up 60.1% from a year ago but 2.8% less than a month ago.

F.O.B. NORTHEAST: .9500 - 1.0050

DELVDSOUTHEAST: .9800 - 1.0600

DRY BUTTERMILK - WEST

Western dry buttermilk prices are steady to slightly higher. The market tone is fully steady. The holiday weekend seems to have slowed activity and trading this week is slow to rematerialize. Butter production was higher in many plants as extra cream was available to churn. Drying of buttermilk increased also. Stocks of dry buttermilk are moderate. U.S. dry buttermilk production in July totaled 4.1 million pounds, up 7.1% from last year but 6.4% lower than June. Stocks at the end of July were 9.3 million pounds, 60.1% more than last year but 2.8% less than last month.

F.O.B. WEST: .9150 - .9650 MOSTLY: .9200 - .9350

DRY WHOLE MILK - NATIONAL

Prices are unchanged and nominal. Production levels are light and still geared to filling contracts. Plant stocks are light and demand is just fair. Dry whole milk production during July totaled 2.0 million pounds, down 16.2% from July 2004 and 3.6% less than June 2005.

F.O.B. PRODUCING PLANT: 1.3125 - 1.4950

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 2	\$.9543	4,987,022	0
August 26	\$.9445	5,146,633	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .9350 - .9900 MOSTLY: .9375 - .9750

HIGHHEAT: .9700 - 1.0075

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are unchanged on Extra Grade whey and higher on milk replacer quality whey. The market tone is firm. Extra Grade spot trade activity direct from the manufacturer or via resellers is very light due to limited supply availability. Most trade is occurring on a contractual basis. With good export demand in Central and South America, supplies of whey are anticipated to remain tight for the remainder of the year. Inquiries are light as buyers are either well stocked contractually or are well aware of the limited supply. Milk replacer quality whey trade activity is improved compared to the week prior yet short of buyer interest. Production of HUMAN FOOD, dry whey during July 2005 totaled 80.7 million pounds, 4.7% more than July 2004 but 1.1% below June 2005. Month ending stocks, at 35.7 million pounds, are 17.8% below a year ago but 2.5% more than June 2005. Production of ANIMAL FEED, dry whey during July 2005 totaled 7.8 million pounds, 30.5% more than July 2004 but 1.9% below June 2005. Month ending stocks, at 4.0 million pounds, are 34.8% lower than a year ago but 15.5% more than June 2005.

F.O.B. CENTRAL: .2825 - .3000 MOSTLY: .2825 - .2975
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2700 - .2900

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are steady to fractionally higher. The Northeastern prices remain nominal as few spot sales are reported direct from producers. Cheese and dry whey production are easing lower now that schools are back in session and pulling more milk into Class I channels. Stocks are tight at the producer level. Most producers are overcommitted and trying to catch up with orders. Some are sold out and may have to cut contracted volumes. Traders do have some inventory, which is often being held for regular account needs. Overall buying interest is steady, but still lacking the aggressiveness that many would expect when supplies are this light. This market, like most others, is feeling the impact of Katrina with regard to product deliveries and usage in that area of the country. Production of human food, dry whey during July totaled 80.1 million pounds, 4.7% more than July 2004 but 1.1% less than June 2005. Month ending stocks, at 35.7 million pounds, are 17.8% below last year but 2.5% more than a month ago. Production of animal feed, dry whey during July totaled 7.8 million pounds, 30.5% more than a year ago but 1.9% below June 2005.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2950 - .3125
DELVD SOUTHEAST: .3150 - .3350

DRY WHEY - WEST

Western whey prices range from steady to fractionally higher. The market undertone continues to be firm. Export shipments continue at normal levels. A tender for the Far East is due this week with some of the powder likely to be sourced from the U.S. Domestic sales are good with some delays in shipments noted. Stocks are in a balanced position. July U.S. edible whey production totals 80.7 million pounds, up 4.7% from last year. Stocks at the end of the month are 35.7 million pounds, down 17.8% (7.7 million pounds) from July 2004. Cumulative output for total whey production for the first seven months of the year is 619.8 million pounds, up 0.6% from last year.

NONHYGROSCOPIC: .3050 - .3400 MOSTLY: .3100 - .3250

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to lower on a weak market. Trade activity is very light. Buyers are hesitant to purchase additional supplies until the market settles. Supplies are mixed. Grade A product is short of buyer interest. Some producers of Extra Grade report that their supplies are tight, especially in bags. However, supplies in totes, from custom dryers or plants that are not brand specific to end user formulations are offering WPC 34% at steady to lower prices. WPC 34% and 80% are respectively available from Argentina and Israel in the international market. Offers of Canadian WPC 34% are also reported. Veal operators are offering excess loads of WPC 34% to brokers at prices below the range and meeting resistance. Traders report that the sale of 6,892,411 pounds of CCC owned NDM at prices between 0.7060 - 0.9250 is not anticipated to have a heavy impact on WPC 34% trade despite feed buyer insistence of the opposing opinion. Production of HUMAN FOOD WPC (25.0-89.9% PROTEIN) during July 2005 totaled 26.9 million pounds, 7.5% higher than July 2004 but 5.7% below June 2005. Manufacturers' end-of-month stocks totaled 24.4 million pounds, 4.0% lower than a year ago but 4.7% above last month. Production of ANIMAL FEED WPC (25.0-89.9% PROTEIN) during July 2005 totaled 4.3 million pounds, down 9.2% from July 2004 but 13.2% above June 2005. Manufacturers' end-of-month stocks totaled 2.0 million pounds, 40.1% below last year and 4.2% lower than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .8525 - .8825 MOSTLY: .8525 - .8725

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a firm market. Negotiations for fourth quarter are expected to fully commence next week. A few contracts for the fourth quarter have been settled at higher prices compared to third quarter. Producers report that supplies are tight and loads are being shorted or delayed as a result. Inquiries are heavy from South America, Asia and Europe. Increased interest in lactose may be partially the result of tighter whey and dry whey permeate markets. Feed buyers continue to use lactose as a substitute to whey with the best interest noted on supplies in totes or with off grade specifications. Lactose production during July 2005 totaled 55.0 million pounds, down 1.4% from July 2004 and 2.0% lower than June 2005. Month ending stocks, at 57.9 million pounds, are 13.9% lower than a year ago and 4.7% below last month.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1875 - .2400 MOSTLY: .1900 - .2150

CASEIN - NATIONAL

Casein markets remain firm, although contract negotiations for fourth quarter needs appear to have prices slightly lower. Suppliers and handlers state that stocks, especially from Europe, are in better balance with demand. Oceania suppliers continue to indicate that it is still too early to project their supply situation, but remain optimistic about the coming season. At this point, the new milk production season is just getting started, thus casein production has basically not resumed yet. As has been the situation in years past, casein production is generally the last manufactured dairy product to resume production and the first to cease as milk volumes decrease.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.2700 - 3.4500
ACID: 3.2700 - 3.4000

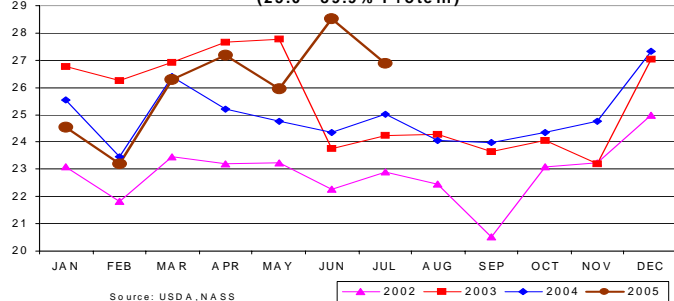
EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are easing slightly as surplus milk supplies tighten now that schools are back in session and the Class IV milk price is increasing. Demand for canned evaporated milk is seasonal. As noted last week, shipments into the hurricane ravaged areas are slower. Some grocery stores and distribution centers have reopened, but many remain closed. Those that are open have other issues to deal with like making repairs, getting trucks in and out, and finding employees to return to work. Canned evaporated milk production during July totaled 40.7 million pounds, 15.8% less than July 2004 and 11.8% less than June 2005. Month ending stocks, at 74.2 million pounds, are 9.8% below a year ago but 3.7% more than last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.50 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

U.S. Dry Whey Protein Concentrate Production, Human (25.0 - 89.9% Protein)



JULY 2005 DAIRY PRODUCTS HIGHLIGHTS

BUTTER production was 94.7 million pounds in July, 2.3 percent above July 2004 but 10.9 percent below June 2005. **AMERICAN TYPE CHEESE** production totaled 315.5 million pounds, 4.2 percent above July 2004 but 1.9 percent below June 2005. **TOTAL CHEESE** output (excluding cottage cheese) was 737.3 million pounds, 4.0 percent above July 2004 but 3.3 percent below June 2005. **NONFAT DRY MILK** production, for human food, totaled 119.6 million pounds, 11.1 percent below July 2004 and 4.0 percent below June 2005. **DRY WHEY** production, for human food, was 80.7 million pounds, 4.7 percent above July 2004 but 1.1 percent below June 2005. **ICE CREAM** (hard) production totaled 87.6 million gallons, 12.5 percent above July 2004 but 3.5 percent below June 2005.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	JUL 2005	PERCENT CHANGE FROM:			PRODUCT	JUL 2005	PERCENT CHANGE FROM:		
	1,000 LBS.	JUL 2004	JUN 2005	YEAR TO DATE 1/		1,000 LBS.	JUL 2004	JUN 2005	YEAR TO DATE 1/
BUTTER	94,722	2.3	-10.9	8.1	SOUR CREAM	77,948	1.4	-6.8	3.7
CHEESE					YOGURT (PLAIN AND FLAVORED)	226,872	6.6	-10.3	---
AMERICAN TYPES 2/	315,480	4.2	-1.9	1.7	CONDENSED WHEY, SOLIDS CONTENT 6/				
CHEDDAR	252,101	4.1	-2.4	1.2	SWEET-TYPE, HUMAN FOOD	6,759	-11.6	-5.9	---
SWISS	24,723	7.9	1.3	---	DRY WHEY PRODUCTS				
BRICK & MUENSTER	5,685	-17.5	-8.6	---	DRY WHEY, HUMAN FOOD	80,672	4.7	-1.1	---
CREAM & NEUFCHATEL	55,447	2.3	4.0	---	DRY WHEY, ANIMAL FEED	7,842	30.5	-1.9	---
HISPANIC	12,946	12.8	-5.6	---	DRY WHEY, TOTAL	88,514	6.6	-1.2	0.6
MOZZARELLA	243,936	6.9	-4.2	3.2	REDUCED LACTOSE AND MINERALS				
OTHER ITALIAN TYPES	57,809	-4.5	-12.7	7.0	HUMAN FOOD	4,300	12.2	8.3	---
TOTAL ITALIAN TYPES	301,745	4.5	-6.0	4.0	ANIMAL FEED	5,637	54.3	-4.5	---
ALL OTHER TYPES	21,233	-2.6	-5.8	---	LACTOSE, HUMAN FOOD & ANIMAL FEED	55,000	-1.4	-2.0	---
TOTAL	737,259	4.0	-3.3	2.7	WHEY PROTEIN CONCENTRATE				
COTTAGE CHEESE, CURD 3/	38,643	1.6	-0.8	---	HUMAN FOOD 7/	26,898	7.5	-5.7	---
COTTAGE CHEESE, CREAM 4/	32,055	-2.1	2.1	-3.4	ANIMAL FEED 7/	4,260	-9.2	13.2	---
COTTAGE CHEESE, LOWFAT 5/	32,134	-1.0	-5.2	-2.5					
CANNED EVAPORATED & CONDENSED					FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
WHOLE MILK	40,697	-15.8	-11.8	---	ICE CREAM (HARD)	87,643	12.5	-3.5	4.0
DRY WHOLE MILK	1,994	-16.2	-3.6	---	ICE CREAM, LOWFAT (HARD)	10,598	0.7	-3.5	---
NONFAT DRY MILK, HUMAN FOOD	119,611	-11.1	-4.0	-16.2	ICE CREAM, LOWFAT (SOFT)	28,664	-10.2	-6.8	---
DRY SKIM MILK, ANIMAL FEED	480	-13.7	-15.9	---	ICE CREAM, LOWFAT (TOTAL)	39,262	-7.5	-5.9	-4.5
DRY BUTTERMILK	4,052	7.1	-6.4	---	SHERBET (HARD)	5,384	14.6	-5.7	6.2
					YOGURT (TOTAL)	5,637	-1.2	-7.0	-8.7

MANUFACTURERS' STOCKS, END OF MONTH 8/

PRODUCT	JUL 2005	PERCENT OF:		PRODUCT	JUL 2005	PERCENT OF:	
	1,000 LBS.	JUL 2004	JUN 2005		1,000 LBS.	JUL 2004	JUN 2005
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	35,725	-17.8	2.5	HUMAN FOOD	24,369	-4.0	4.7
DRY WHEY, ANIMAL FEED	3,987	-34.8	15.5	ANIMAL FEED	1,990	-40.1	-4.2
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 9/	4,570	-36.2	14.9	CANNED EVAPORATED & CONDENSED WHOLE MILK	74,186	-9.8	3.7
LACTOSE, HUMAN FOOD & ANIMAL FEED	57,858	-13.9	-4.7	NONFAT DRY MILK FOR HUMAN FOOD	118,240	-26.9	1.7
DRY BUTTERMILK, TOTAL	9,343	60.1	-2.8				

1/ 2005 cumulative as percent change of 2004 cumulative. 2/ Includes Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. Does not include sweet-type, animal whey. 7/ Whey Protein Concentrate, 25.0 to 89.9 percent. 8/ Stocks held by manufacturers at all points and in transit. 9/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

SOURCE: "Dairy Products," Da 2-6 (9-05), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

Notice of Temporary Rule Suspension Under the Southeast Federal Milk Order for Hurricane Related Losses

The following action was issued by the Southeast Order Market Administrator on September 2, 2005.

Summary of Action: Due to the catastrophic impacts of Hurricane Katrina on the dairy industry of Alabama, Louisiana and Mississippi, the milk lost at the farm in those states between August 29, 2005, and September 6, 2005, will be afforded producer milk status under the Southeast Federal Order. Handlers must demonstrate to the Market Administrator's satisfaction that such milk was in fact produced and would otherwise have been pooled.

Background: Hurricane Katrina struck 40 miles south of New Orleans, LA on August 29 and continued northeasterly through Mississippi and Alabama over the course of several days. Electrical, communication and physical infrastructures were destroyed over a wide swath of the region, and may not be repaired for weeks, if not months. President George W. Bush has called Hurricane Katrina "one of the worst natural disasters in our nation's history".

Known damage to the dairy processing industry includes the closure of two regulated fluid milk processors and a regulated supply plant. In addition, one regulated fluid milk processor is operating at less than full capacity on back-up generators and at least one other regulated fluid milk processor is operating on back-up generators. In total, six fluid and one supply plant are located in the affected region. Fluid processing capacity currently off-line is in excess of 30 million pounds per month. This capacity will remain off-line for at least several more days, if not weeks.

Beyond these direct impacts, some milk processors on the periphery of the affected region have raw milk silos at full capacity and are unable to process additional volume. Finished product coolers are also at capacity for some plants because of reduced demand from retail customers in the affected region.

The extent of damage to dairy producers is not yet known, but estimates place approximately 400 dairy farms without electricity. Back-up generators are being used where available, but their use is limited by fuel shortages. And in most cases, such generators are not capable of supplying power to a fully functioning dairy for extended periods.

Reports from the region describe efforts to move farm milk to processing plants in order to be pooled, only to dump it at the plant because of inadequate temperature or lack of processing capacity. In other cases, milk has been delivered to a plant and pumped into plant silos to qualify as producer milk, then reloaded into a tank and returned to the originating farm to be dumped into manure lagoons.

The impacts to each link in the farm-to-retail chain and the unprecedented scope of this catastrophe have resulted in disorderly milk movements and imprudent use of scarce diesel fuel and other resources. A temporary suspension to prevent disorderly marketing and mitigate farm losses resulting directly from Hurricane Katrina is reasonable given these facts.

This rule suspension is limited in duration to the unparalleled tragedy resulting from Hurricane Katrina, does not alter Southeast Federal Order pooling provisions otherwise, and is not intended to establish precedent for future remedies of disorderly marketing or farm losses.

Handler Information: Milk lost on the farm between August 29, 2005 and September 6, 2005 is eligible to participate in the Southeast Federal Order marketwide pool if reported by qualified handlers. Such milk will be pooled as a diversion to the base zone (\$3.10) and classified in the lowest priced class. Minimum order value will be enforced on the portion of milk lost on the farm at the difference between the uniform blend price at test in the base zone and the lowest priced class.

Direct questions or comments to the Southeast Order Market Administrator's office at P.O. Box 491778, Lawrenceville, GA 30049 -- tel. 770-682-2501.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, AUGUST

Component Price Information: Under the Federal milk order pricing system, the butterfat price for August 2005 is \$1.8246 per pound. Thus, the Class II butterfat price is \$1.8316. The protein and other solids prices for August are \$2.1619 and \$0.1317 per pound, respectively. These component prices set the Class III skim milk price at \$7.48 per cwt. The August Class IV skim milk price is \$7.31 which is derived from the nonfat solids price of \$0.8119 per pound.

Product Price Averages: The product price averages for August are: butter \$1.6355, nonfat dry milk \$0.9601, cheese \$1.4322, and dry whey \$0.2869.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT <u>1/ 2/</u>						
FEDERAL MILK ORDER MARKETING AREAS <u>3/</u>	ORDER NUMBER	AUGUST 2005				SEPTEMBER 2005
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) <u>4/</u>	001	17.69	13.95	13.60	13.44	16.95
Appalachian (Charlotte) <u>5/</u>	005	17.54	13.95	13.60	13.44	16.80
Southeast (Atlanta) <u>6/</u>	007	17.54	13.95	13.60	13.44	16.80
Florida (Tampa) <u>7/</u>	006	18.44	13.95	13.60	13.44	17.70
Mideast (Cleveland) <u>8/</u>	033	16.44	13.95	13.60	13.44	15.70
Upper Midwest (Chicago) <u>9/</u>	030	16.24	13.95	13.60	13.44	15.50
Central (Kansas City) <u>10/</u>	032	16.44	13.95	13.60	13.44	15.70
Southwest (Dallas) <u>11/</u>	126	17.44	13.95	13.60	13.44	16.70
Arizona-Las Vegas (Phoenix) <u>12/</u>	131	16.79	13.95	13.60	13.44	16.05
Pacific Northwest (Seattle) <u>13/</u>	124	16.34	13.95	13.60	13.44	15.60
All-Market Average	---	17.09	13.95	13.60	13.44	16.35

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide 11.63--the approximate number of gallons in 100 pounds of milk.

2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.

3/ Names in parentheses are the major city in the principal pricing point of the market.

4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25.

5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90.

6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90.

7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30.

8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.

10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

12/ Class I price at Las Vegas is minus \$0.35.

13/ Class I prices at other cities are: Portland, same; and Spokane, same.

MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, JUNE 2005

In June 2005, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.13 per cwt., \$.35 less than the figure for the previous month. The component tests of producer milk in June 2005 were: butterfat, 3.54%; protein, 2.93%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas except one, and ranged from \$16.40 in Florida to \$12.55 in New Mexico. In June 2004, the Federal milk order all-area average mailbox price was \$18.26, \$.41 higher.

Reporting Area	Mailbox Milk Price <u>2/</u>		
	June 2004	May 2005	June 2005
	Dollars per hundredweight		
Northeast Federal Milk Order	19.08	14.95	14.50
Appalachian States <u>3/</u>	19.31	14.59	13.92
Southeast States <u>4/</u>	19.91	15.04	14.49
Southern Missouri <u>5/</u>	18.61	13.97	13.18
Florida	21.69	16.44	16.40
Ohio	18.26	14.62	14.22
Indiana	18.68	14.66	14.29
Michigan	17.85	14.18	13.78
Wisconsin	18.04	14.98	14.67
Minnesota	17.85	14.76	14.47
Iowa	17.56	14.64	14.32
Illinois	18.28	14.61	14.25
Corn Belt States <u>6/</u>	16.81	13.61	13.27
Western Texas <u>7/</u>	17.69	13.31	13.26
New Mexico	16.47	12.52	12.55
Northwest States <u>8/</u>	17.75	13.47	13.35
All Federal Order Areas <u>9/</u>	18.26	14.48	14.13
California <u>10/</u>	16.38	13.48	NA

NA = Not available.

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. As applicable, includes milk not-pooled due to disadvantageous intra-order price relationships. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. Mailbox price does include, for the most part, the \$0.05 per cwt. assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 4/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 5/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. 6/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 5/. 7/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 8/ Includes Oregon and Washington. 9/ Weighted average of the information for all selected reporting areas in Federal milk orders. 10/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

JULY FLUID MILK SALES

During July, about 4.3 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 2.5 percent lower than July 2004. After adjusting for calendar composition, sales in July 2005 were unchanged from July 2004. On an individual product basis, after adjusting for calendar composition, sales of reduced fat (2%) milk, low fat (1%) milk, and fat-free (skim) milk increased from July 2004, while sales of whole milk, flavored whole milk, flavored fat-reduced milk, and buttermilk decreased from a year earlier.

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/dvfm/mib/in-areales.htm>

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
JULY 2005, WITH COMPARISONS ^{1/}

Product Name	Sales		Change from: ^{2/}	
	July	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,414	9,909	-5.0	-4.3
Flavored Whole Milk	58	429	-12.6	-15.6
Reduced Fat Milk (2%)	1,455	10,141	-1.3	0.1
Low Fat Milk (1%)	496	3,663	0.1	2.3
Fat-Free Milk (Skim)	651	4,625	-0.2	2.3
Flavored Fat-Reduced Milk	149	2,042	-2.9	5.0
Buttermilk	42	299	-4.2	-3.9
Total Fluid Milk Products ^{3/}	4,278	31,202	-2.5	-0.8
Total Fluid Milk Products Adjusted ^{3/ 4/}	4,324	31,297	0.0	0.2

^{1/} These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. ^{2/} Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see ^{4/}. There were significant revisions to previous year data and April 2005 data for California. ^{3/} Total fluid milk products include the products listed plus miscellaneous products and eggnog. ^{4/} Sales volumes and percent changes have been adjusted for calendar composition; see http://www.ams.usda.gov/dvfm/mib/clndr_comp_rpt.pdf

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, JULY 2005, WITH COMPARISONS ^{1/}

Area (Order Number)	Sales		Change from: ^{2/}	
	July	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	748	5,454	-4.7	-1.5
Appalachian (005)	276	1,983	-3.4	-1.2
Southeast (007)	376	2,759	-0.8	1.3
Florida (006)	236	1,730	-0.3	2.1
Mideast (033)	487	3,568	-4.0	-1.3
Upper Midwest (030)	348	2,527	0.8	1.3
Central (032)	349	2,625	-5.3	-1.5
Southwest (126)	333	2,420	0.4	0.1
Arizona-Las Vegas (131) ^{3/}	101	721	4.0	1.4
Pacific Northwest (124)	169	1,226	-2.7	-1.1
California (---) ^{4/}	511	3,693	-1.5	-0.2

^{1/} These figures are representative of the consumption of total fluid milk products in the respective area; see ^{3/} above for the products included. ^{2/} Percent changes, as well as sales volumes, are shown on an unadjusted basis; see ^{4/} above.

^{3/} The in-area sales data for this order does not include all the sales in the marketing area due to the reporting exemption of fluid milk processors located in Clark County, Nevada.

^{4/} There were significant revisions to previous year data and April 2005 data for California.

SOURCE: Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF SEPTEMBER 5 - 9, 2005			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/04	SAME PERIOD LAST YEAR	WEEK ENDING 09/02/05	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	31,817,269	350,315,996	-0-	575,032,000
Fortified	-0-	-0-	-0-	-0-	-119,048	-0-	46,391,000
TOTAL	-0-	-0-	-0-	31,817,269	350,196,948	-0-	621,423,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF SEPTEMBER 5 - 9, 2005 =	0.0	0.0	COMPARABLE PERIOD IN 2004 =	0.6	30.8
CUMULATIVE SINCE OCTOBER 1, 2004 =	7.0	370.4	CUMULATIVE SAME PERIOD LAST YEAR =	76.1	4,076.3
CUMULATIVE JAN. 1 - SEPT. 9, 2005 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2004 =	50.6	2,727.0

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
CENTRAL	-0-	-0-	-0-	-0-	1,331,567	8,493,089	4.2	2.5
WEST	-0-	-42,309	-0-	-0-	29,415,099	337,420,085	92.4	96.3
EAST	-0-	-0-	-0-	-0-	1,070,603	4,283,774	3.4	1.2
TOTAL	-0-	-42,309	-0-	-0-	31,817,269	350,196,948	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 08/20/05 & Comparable Week 2004

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1
2005-Dairy	N.A.	0.7	6.5	2.6	14.3	2.7	0.4	N.A.	14.6	1.5	44.3	1,429.9
2004-Dairy	N.A.	0.7	6.8	2.2	17.4	2.8	0.5	N.A.	11.9	1.7	45.0	1,514.9
2005-All cows	N.A.	0.8	8.1	11.5	26.4	13.1	9.6	N.A.	16.8	2.0	90.8	3,025.5
2004-All cows	N.A.	0.7	8.3	11.3	27.5	14.4	9.9	N.A.	13.9	4.5	93.1	3,248.3

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA. 1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14

FEDERAL MILK ORDER CLASS PRICES FOR 2005 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	16.65	13.79	15.43	14.13	14.80	13.62	13.89	14.44	13.70			
II	13.04	13.36	13.25	13.24	12.78	13.06	13.79	13.95				
III	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60				
IV	12.52	12.74	12.66	12.61	12.20	12.33	13.17	13.44				

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm05/mib/cls_prod_cmp_pr.htm